LEGISLATIVE FISCAL OFFICE

Fiscal Note

Louisiana Legislative Fiscal Office
Fiscal Notes

Fiscal Note On: **SB 91** SLS 09RS 311
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 5, 2009 7:55 PM
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Dept./Agy.: Revenue
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Subject:

TAX/ENERGY OR DECREASE GF RV See Note

Provides a transferable tax credit for income and corporation franchise taxes of 25% of the costs and expenses attributable to the construction or for the installation of certain qualified energy resources limited to $3.75 million per qualified energy

Proposed law provides a transferable credit against income tax and franchise tax for 25% of construction or installation costs of qualified energy systems as listed in Title 26, Section 45 of U.S. Code, up to $3.75 million per project. This is not a credit for the purchase of a system for installation and may not be used in conjunction with the existing residential wind and solar credit. Qualified energy systems include wind, closed-loop biomass, open-loop biomass, geothermal energy, small irrigation power, municipal solid waste and qualified hydropower production. The credit shall be earned in the year in which the energy resource is placed in service.

Effective upon governor's signature for expenses incurred on or after January 1, 2009.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

Managing transferable credits is more time and labor intensive than administering non-transferable credits. To the extent this credit is utilized, the Department of Revenue will incur costs in excess of those typical of a new credit, such as programming and form change expenses as well as added customer service requirements.

REVENUE EXPLANATION

This bill appears to be written to offer a tax credit for construction or installation of energy producing systems that are also eligible for a federal renewable electricity production credit since the definition references for a qualified energy resource are the same. However, there are certain components of this bill that require clarification. It is assumed that the credit is based on construction or installation of systems utilizing a qualified energy resource for the production of electricity, though the bill only references the qualified energy resource as defined in Title 26, Section 45 of the 1986 US Code as the base of the credit. The more relevant term may be a qualified facility which is also defined in the federal code yet also determines that qualified facilities must be placed in service by January 1, 2009. Since this bill is in effect for expenditures made on or after January 1, 2009, no expenditures would technically qualify.

The qualified energy resources include wind, closed-loop biomass, open-loop biomass, geothermal energy, small irrigation power, municipal solid waste and qualified hydropower production.

According to the Department of Natural Resources, many of these systems are potentially geared toward commercial production of energy to be supplied to the electricity grid and would include wind turbine farms and ethanol plants, among others. The cost of construction and installation of these projects can be small, in the case of a small commercial solar energy system at $10,000 or very large, such as the wind turbine field under consideration for the Gulf of Mexico at $100,000,000. This credit is capped at $3.75 million per project, which implies a system with qualified expenses of $15,000,000. It is unknown how many projects are pending that would qualify for this credit or whether the size of the credit would lure new projects into operation. Assuming the definitional component is settled, if one $15,000,000 project qualifies per year, it will reduce state general fund by $3.75 million per year. Though there is a project cap, it may be possible to split large projects into many smaller ones to maximize the credit. Also, there is no cap on total credits that can be issued. Given the potential size of these kinds of projects, the state's exposure to this credit could be substantial, potentially several million dollars per year.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $500,000 Annual Fiscal Cost		☐ 6.8(F) >= $500,000 Annual Fiscal Cost
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

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